

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency

P.O. Box 2415

Washington, DC 20013-2415

Notice FC-57

1992-E

For: State and County Offices

Reporting Acquisition and Abandonment of Security Property

Approved by: Acting Deputy Administrator, Farm Credit Programs



1 Overview

A

Background

KCMO St. Louis has revised its accounting system to automatically generate IRS Form 1099-A when ADPS 3E transaction is processed for any borrower whose real estate or chattel security property is acquired by FSA.

This enhancement eliminates the requirement for County Offices to manually prepare and mail Form FmHA 1992-6 and FmHA Form Letter 1992-2 to the borrower when the property is acquired by FSA.

Note: Form FmHA 1992-6 is a substitute for IRS Form 1099-A.

IRS Form 1099-A for all acquisitions will be sent directly from KCMO St. Louis to the borrower by January 31, following the applicable tax year.

B

Purpose

This notice provides instructions:

- to clarify when property shall be considered acquired by FSA and when to process the ADPS 3E transaction
- for the continued use of Form FmHA 1992-6 for abandonments and sale of property to third parties through involuntary liquidations.

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Disposal Date

May 1, 1997

Distribution

State Offices; State Offices relay to County Offices and Ag Credit Teams

1 Overview (Continued)

C

Contact

State Offices may contact Kim Laris, LSPMD, through the Area Office or Sharon Schreckenberg, KCMO St. Louis on 314-539-2494.

2 Action

A

When to Process ADPS 3E Transaction

Property acquired by FSA must be reported to IRS. The ADPS 3E transaction for acquisitions will automatically generate IRS Form 1099-A and initiate copies to be sent to both IRS and the borrower.

To accurately report acquisitions, the ADPS 3E transaction shall be processed within 5 workdays of the deed's recordation.

Outstanding redemption rights shall not delay the processing of the ADPS 3E transaction unless a deed has not been received or recorded and the redemption period has not expired.

Note: This requirement does not apply to the Rural Housing Service (RHS).

B

Requiring Use of Form FmHA 1992-6

Servicing offices must continue to complete Form FmHA 1992-6 for the following types of actions.

Type of Action	Completion of Form
Chattel or real estate security property was purchased by a third party at a foreclosure or similar type sale initiated by FSA or another lender.	Within 10 calendar days of sale
Chattel or real estate security property is abandoned, and will not be acquired or sold to a third party through FSA or another lender foreclosure or similar type sale within 3 months.	Within 10 calendar days of determination of abandonment
Note: If the abandoned property will be acquired or sold to a third party through FSA or another lender foreclosure or similar type sale within 3 months, wait and prepare Form FmHA 1992-6 or the ADPS 3E transaction, as applicable, when the property is sold or acquired.	

Continued on the next page

2 Action (Continued)

C

Preparing FmHA 1992-6

Follow the Forms Manual Insert instructions for Form FmHA 1992-6, **except** for the following items.

- Do not complete the form when the property is acquired by FSA. The ADPS 3E transaction will generate an IRS Form 1099-A to IRS.
- For property purchased or acquired by third parties, enter the date of the sale or transfer of title in item 7. If RHS acquires joint security property and FSA's debt is:
 - satisfied with the RHS acquisition or settled before the ADPS 3E transaction being processed, Form FmHA 1992-6 will not be completed

Note: ADPS 3E and 3K transactions will generate IRS notification.

- not satisfied or settled with RHS acquiring the property, Form FmHA 1992-6 must be completed as a purchase by a third party.

Note: Further instructions are forthcoming for processing ADPS 3E transactions of RHS and FSA joint security.

- In item 8, enter the unpaid principal as of the date of the sale for the FSA debt only. The unpaid principal entered should be the amount before any sale proceeds or market value credit being applied to the debt. Do **not** include any RHS loans the borrower may have in item 8. RHS will report its loans.
- Leave item 10 blank. This information is no longer needed.

D

Distributing Form FmHA 1992-6

Copies of Form FmHA 1992-6 shall be distributed as follows:

- original to KCMO St. Louis, Attn: FC 353-A
- copy 1 to the borrower with Form Letter 1992-2 of FmHA Instruction 1992-E
- copy 2 to the borrower's case file.

The information supplied by the servicing offices shall be used to generate a tape that will be sent to IRS no later than February 28, for all transactions occurring in the previous calendar year.
